

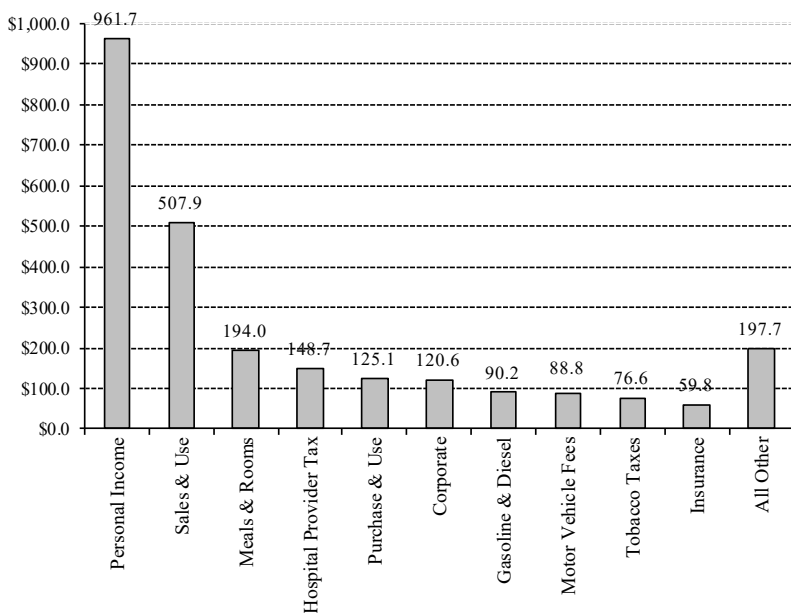
REVENUE

MAJOR SOURCES OF REVENUE

Well over 95% of Vermont’s state revenue comes from taxes. In addition to revenue from taxes, such as income, sales and use, and rooms and meals, Vermont is the only state to collect significant revenue from a statewide property tax. Revenue from this tax is projected at \$1.436 billion in state fiscal year 2022, making it the largest single source of state revenue. However, the use of these revenues is limited to education spending. For historical continuity and to enable comparisons with other states, the statewide property tax is excluded from the remainder of this section.

The personal income tax accounts for about one-third of non-property tax revenue in Vermont, followed by the sales and use, and rooms and meals taxes. In addition to tax revenues, the other major source of funding for state programs is federal funds, representing about one-third of state program costs.

**Major Sources of General, Transportation & Education Fund
Revenue - Fiscal Year 2022
(January 2021 forecast, \$ in millions)
Does not include Property Tax**



The first step in the creation of the annual state budget is the development of a revenue forecast. The next page contains some history and the forecast that will be used for development of the fiscal year 2022 budget.

FY2022 STATE REVENUE FORECAST
by Fund Type & Source (\$ in millions)
Available General Fund Revenue

Source	Amount (\$)	% of Fund	% of Total
Personal Income	961.7	58%	37%
Corporate	120.6	7%	5%
Meals and Rooms [1]	114.8	7%	4%
Liquor [3]	4.3	0%	0%
Insurance	59.8	4%	2%
Telephone	1.4	0%	0%
Beverage	7.6	0%	0%
Estate	26.7	2%	1%
Property Transfer	19.3	1%	1%
Bank Franchise	12.8	1%	0%
Tobacco Taxes	78.6	5%	3%
Hospital Provider Tax	146.0	9%	6%
Other Taxes	56.2	3%	2%
Fund Total	1,662.7	100%	65%

Available Transportation Fund

Source	Amount (\$)	% of Fund	% of Total
Gasoline	71.6	25%	3%
Diesel	18.6	7%	1%
Purchase & Use [2]	83.4	29%	3%
Motor Vehicle Fees	88.8	31%	3%
Other Revenue	22.7	8%	1%
Fund Total	285.1	100%	11%

Available Education Fund (non-property tax revenues)

Source	Amount (\$)	% of Fund	% of Total
Sales & Use	507.9	82%	20%
Meals and Rooms	41.6	7%	2%
Lottery	30.9	5%	1%
Purchase & Use [2]	41.7	7%	2%
Interest	0.28	0%	0%
Fund Total	622.4	100%	24%

TOTAL REVENUE **\$2,570.2** **100%**

[1] Beginning FY 2019, 25% of Meals and Rooms tax revenues will be dedicated to Education Fund. Beginning October 2019, 6% of the Meals and Rooms tax revenues will be dedicated to the Clean Water Fund

[2] Purchase & Use Tax is allocated between Transportation Fund (2/3) and Education Fund (1/3).

[3] Beginning FY2020, the Liquor Tax was reduced to a flat 5%.

AVAILABLE GENERAL FUND FORECASTS

(\$ in millions)

	FY2020	FY2021	FY2022	FY2023
Revenue Source	<i>(Actual)</i>	<i>(Forecast)</i>	<i>(Forecast)</i>	<i>(Forecast)</i>
Personal Income	925.8	945.4	961.7	973.3
Sales and Use[1]	0.0	0.0	0.0	0.0
Corporate	147.9	82.4	120.6	127.7
Meals and Rooms[2]	116.1	87.2	114.8	133.9
Liquor [3]	4.1	4.2	4.3	4.4
Insurance	58.0	59.2	59.8	60.2
Telephone	3.2	1.6	1.4	1.2
Beverage	7.2	7.4	7.6	7.9
Estate	15.2	23.4	26.7	28.3
Property Transfer	12.9	18.1	19.3	18.3
Bank Franchise	12.1	12.6	12.8	12.7
Total Healthcare Revenues	280.9	280.4	281.3	281.9
Tobacco Taxes	71.4	78.6	76.6	73.8
Hospital Provider Tax	150.2	146.0	148.7	151.7
Other Healthcare Taxes	59.3	55.8	56.0	56.4
Other Tax	0.4	0.4	0.3	0.4
Subtotal Tax Revenue	1,583.7	1,522.2	1,610.7	1,650.1
Business Licenses	1.1	1.2	1.3	1.4
Fees	44.7	42.4	43.6	44.8
Services	2.4	2.4	2.3	2.4
Fines	4.8	3.1	3.3	3.5
Interest	3.3	1.5	1.4	1.9
All Other	0.7	0.9	1.0	1.1
Subtotal Other Revenue	57.2	51.5	52.9	55.1
TOTAL GENERAL FUND	1,640.9	1,573.7	1,663.6	1,705.2

[1] Beginning FY2019, 100% of sales and use tax revenue will be allocated to the Education Fund.

[2] Beginning FY2019, 25% of meals and rooms tax revenue will be allocated to the Education Fund. Beginning October 2019, 6% of the Meals and Rooms tax revenues will be transferred from the General Fund to the Clean Water Fund.

Source: Emergency Board Official Forecast, January 2020

[3] Beginning FY2020, the Liquor Tax was reduced to a flat 5%.

AVAILABLE TRANSPORTATION FUND FORECASTS

(\$ in millions)

Revenue Source	FY 2018 <i>(Actual)</i>	FY2020 <i>(Actual)</i>	FY2021 <i>(Forecast)</i>	FY2022 <i>(Forecast)</i>	FY2022 <i>(Forecast)</i>
Gasoline	78.2	71.0	67.1	71.6	71.6
Diesel	18.9	17.9	17.7	18.6	18.6
Purchase and Use [1]	73.0	70.3	80.3	83.4	83.4
Motor Vehicle Fees	86.0	83.6	88.4	88.8	88.8
Other Revenue	23.0	21.3	21.5	22.7	22.7
TOTAL TF	279.0	264.1	275.0	285.1	285.1

[1] Includes Motor Vehicle Rental Tax revenue.

TRANSPORTATION INFRASTRUCTURE BOND FUND FORECASTS

(\$ in millions)

Revenue Source	FY 2018 <i>(Actual)</i>	FY2020 <i>(Actual)</i>	FY2021 <i>(Forecast)</i>	FY2022 <i>(Forecast)</i>	FY2022 <i>(Forecast)</i>
TIB Gasoline	12.9	12.7	10.7	11.9	11.9
TIB Diesel [2]	2.0	2.0	1.9	2.0	2.0
TOTAL TIB	14.9	14.7	12.6	13.9	13.9

[2] Includes TIB Fund interest income (which has never exceeded \$20,000 per year).

NON-PROPERTY TAX EDUCATION FUND FORECASTS

(\$ in millions)

Revenue Source	FY 2018 <i>(Actual)</i>	FY2020 <i>(Actual)</i>	FY2021 <i>(Forecast)</i>	FY2022 <i>(Forecast)</i>	FY2022 <i>(Forecast)</i>
Sales and Use[3]	139.2	432.5	488.4	507.9	507.9
Meals and Rooms[4]	0.0	40.9	31.6	41.6	41.6
Interest	0.5	0.8	0.3	0.3	0.3
Lottery	27.1	26.8	29.3	30.9	30.9
Purchase and Use	36.5	35.1	40.1	41.7	41.7
TOTAL EF	203.3	536.2	589.7	622.4	622.4

[3] Sales and Use dedication to the Education Fund increased from 36% to 100% in FY 2019.

[4] Beginning FY 2019, 25% of Meals and Rooms Tax revenues will be transferred to the Education Fund.

Source: Emergency Board Official Forecast, January 2021

Potential Revenue Sources and Options

There are three main ways to increase revenue coming into state coffers:

- 1) increase existing taxes;
- 2) expand existing tax bases; or
- 3) create new taxes.

The following estimates are examples of each of these methods to raise new state revenue. In reverse, reducing rates, creating tax exemptions, and eliminating taxes all reduce state revenue.

Preliminary Estimates Only - Subject to Revision (\$ in millions)

Tax Source	FY 2022 Revenue (Forecast)	Tax Rate	Unit of Tax	FY22 New Revenue[1]
<i>Increase Existing Taxes</i>				
Sales & Use	507.9	6%	@1%	84.7
Meals & Rooms (and Alcohol)	166.4	9% & 10%	@1%	16.6
Cigarette	60.6	\$3.08	@ penny	0.2
Bank Franchise	12.8	0.010%	.0001% increase	0.1
Insurance Premiums	59.8	various	various	N/A
Gasoline Tax	32.7	0.121	@ penny	2.9
Gasoline Assessment	38.9	4%*	@1%	0.0*
Diesel Tax	18.6	0.28	@ penny	0.7
Purchase & Use	125.1	6%	@1%	20.9
Personal Income Tax	961.7	various	1% surcharge	9.6
Corporate Income Tax	120.6	various	1% surcharge	1.2
Property Transfer Tax	62.3	various	1% surcharge	0.6

[1] These are simple yield rates and do not include price elasticity. Elasticity is the decline or increase in demand in response to the price change. This will slightly reduce the new tax revenue for most increases. Elasticity will depend upon many conditions specific to a tax source, such as tax rates in competitive jurisdictions, the size of the tax change, the prior tax level, and the nature of the economic good being taxed. Most effective tax yields fall between about 90% to 100% of an estimated simple yield.

Footnote* The gasoline assessment is 4% of the retail price excluding all taxes and fees subject to a floor of \$0.134 per gallon. The January 2021 Consensus Forecast projects that gasoline prices throughout FY 2022 will remain below the level that would generate any additional revenue by increasing the assessment rate from 4% to 5%.

Potential Revenue Sources and Options

(continued)

Preliminary Estimates Only - Subject to Revision

Sales Tax = 6%	Change	FY 2022 Annual Revenue (\$ Millions)
<i>Expand Sales Tax Base</i>		
Groceries	6%	93.2
Clothing and Footwear (adjusted for online sales)	6%	35.0
Candy	6%	3.4
<i>Apply Sales Tax to Services- Limited to Consumer Purchases (partial list) only</i>		
<u>Professional, scientific, & technical services</u>		
Legal services*	6%	18.3
Accounting, tax preparation, & payroll services	6%	10.7
Architectural, engineering, & related services	6%	29.0
Computer systems design & related services	6%	29.1
Management, scientific, & consulting services	6%	23.3
Advertising & related services	6%	4.4
Photographic services	6%	0.4
Veterinary services	6%	7.9
<u>Administrative & support services</u>		
Office administrative services	6%	2.2
Employment services	6%	5.0
Business support services	6%	1.5
Travel arrangement & reservation services	6%	7.1
Investigation & security services	6%	2.9
Services to buildings & dwellings	6%	16.5
Other support services	6%	3.2
Waste collection	6%	5.5
<u>Finance, Insurance and Real Estate</u>		
Portfolio Management	6%	13.8
Investment Advice	6%	0.8
Office of real estate agents and brokers	6%	8.3
Real estate property managers	6%	6.3
Office of real estate appraisers	6%	0.5

2017 Economic Census Data

Potential Revenue Sources and Options

(continued)

Preliminary Estimates Only - Subject to Revision

Sales Tax = 6%	Change	FY22 Annual Revenue (\$ Millions)
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<i>Apply Sales Tax to Services</i> (partial list only)	6%	
<u>Health care & social assistance</u> (only those subject to federal income tax)		
Offices of physicians	6%	38.5
Offices of dentists	6%	17.8
Offices of other health practitioners	6%	12.2
Offices of chiropractors	6%	1.6
Offices of optometrists	6%	2.6
Offices of mental health specialists	6%	1.1
Offices of specialty therapists	6%	5.2
Offices of podiatrists	6%	0.1
Offices of all other miscellaneous health practitioners	6%	1.7
Outpatient Care Centers	6%	3.5
<u>Other Services</u>		
Motor vehicle repair and maintenance	6%	19.1
Electronic equipment repair and maintenance	6%	0.7
Comm and Industry machinery repair & maintenance	6%	1.5
Personal/household goods repair & maintenance	6%	0.7
Personal care services	6%	3.9
Death care services	6%	2.0
Landscaping services	6%	11.4
Dry cleaning and laundry services	6%	1.0

2017 Economic Census Data